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FM AMEMBASSY BELGRADE
TO RUEHC/SECSTATE WASHDC IMMEDIATE 1044
INFO RUEHBS/USEU BRUSSELS
RUEHVJ/AMEMBASSY SARAJEVO 0352
RUEHSQ/AMEMBASSY SKOPJE 0874
RUEHSF/AMEMBASSY SOFIA 0849
RUEHVB/AMEMBASSY ZAGREB 1433
RUEHBM/AMEMBASSY BUCHAREST 0257
RUCPDOC/USDOC WASHDC

UNCLAS BELGRADE 000885

SIPDIS

DEPT FOR EB/IPE-JBOGER
DEPT PLS PASS TO USTR JCHOE-GROVES, DOC-CPETERS, USPTO-JURBAN
AND LOC-STEPP
USDOC FOR 4232/ITA/MAC/EUR/OEERIS/SSAVICH

SIPDIS

E.O. 12958: N/A
TAGS: [ECON](#) [ETRD](#) [PREL](#) [SR](#) [KIPR](#)
SUBJECT: MPA WITHDRAWS FUNDING FOR ANTI-PIRACY ASSOCIATION IN SERBIA

SUMMARY

[¶1.](#) The Anti-Piracy Association of Serbia and Montenegro ceased to exist in Serbia on March 15, 2007, after a November 2006 decision of the Motion Picture Association (MPA) to withdraw its annual funding to the local association as of January. The MPA cited re-focusing resources on a smaller number of countries with larger markets as the reason for its decision. Local film distributors say they are unable to financially support the continuation of the APA due to revenue losses from pirated films, and they are struggling to reorganize in the aftermath of MPA's decision. END SUMMARY.

[¶2.](#) The Anti-Piracy Association of Serbia and Montenegro (APASCG) was formed in 2003 with some USD 40,000 in annual funding from the MPA. The APASCG was staffed with one full-time attorney and two office assistants. It had 14 members in the film distribution industry and has focused its efforts on protecting audio-visual products and services of all kinds from unauthorized use. The association has been very active in the American Chamber of Commerce's Intellectual Property Rights (IPR) Committee along with other associations like International Federation of the Phonographic Industry (IFPI) and the Business Software Alliance (BSA).

[¶3.](#) In December 2006, the APASCG received a letter from Chris Marcich, Senior Vice President and Managing Director of MPA Europe, Middle East and Asia, stating that the USD 50,000 annual funding would no longer be available for the association in 2007. Marcich stated that it was a policy decision to re-focus resources on a smaller number of countries. Factors such as market size, effectiveness of anti-piracy activities, estimated losses, and near-term commercial prospects were used in selecting countries for further funding. Marcich said funding for eight countries would be discontinued in 2007 while another six programs would experience significant cuts in MPA contributions. He told econoff that many of these cancelled programs have become locally funded, and he believes that this promotes greater ownership of the anti-piracy activities. Econoff asked Marcich for MPA to reconsider its decision for Serbia.

[¶4.](#) Zoran Savic, Director of Millennium Film and Chairman of the APASCG, unsuccessfully appealed to the MPA in a January 22, 2007 letter on behalf of the association. He cited several successes of the APASCG over the past three years.

Three years ago, judges in Serbia were reluctant to adjudicate IPR cases. Now there are over 450 pending criminal cases with 53 favorable sentences rendered in 2006. Savic also noted the significant public relations activities and extensive work with all relevant enforcement bodies. He highlighted the association's achievement of developing a procedure to force internet providers to remove piracy sites from the internet, in which www.boamorte.worldbreak.com was successfully removed in two days.

¶15. In addition to public relations activities, the APASCG monitored markets, notified enforcement officials of known piracy problems and requested investigations. It also provided training to these enforcement bodies on how to recognize counterfeit goods. The association was very active in the courts as well, representing rights holders and verifying legitimacy of movie titles in question.

¶16. Savic told econoff that the four main local film distributors are having difficulty funding legal assistance in APASCG's absence. The largest law firm in Serbia, which has extensive experience in IPR protection, has offered its services for EUR 2,000/month. Savic said that two of the distributors can pay the EUR 500/month, but he is having trouble convincing the other two, which cite financial difficulties.

¶17. Film and music piracy continues to be a problem. The International Intellectual Property Association (IIPA) places the level of pirated music in Serbia at 90 percent. Members of the APASCG told econoff that there they have experienced a 50 percent drop in revenues from sales to video clubs compared to the same four-month period last year and a 250 percent drop in sales to kiosks. These film distributors

contend that of 450 active video clubs in Serbia, only five purchase their entire inventory legitimately. Some 70 purchase some inventory from legitimate distributors, while the rest offer completely pirated titles.

COMMENT

¶18. MPA's decision to cut funds significantly hamstrings anti-piracy efforts in the film industry in Serbia. Revenue losses from piracy have made distributors reluctant to fund the APASCG and realize what Marcich describes as "greater ownership." The opposite result is likely to occur where the activities of the group are less coordinated and more on an ad hoc basis. We hope that MPA reconsiders its decision. Given advances in building an enforcement infrastructure, the stage has been set for more success in driving pirated audio-visual goods from the Serbian market. But MPA withdrawal, coupled with the weakness of the local distributors, could undercut prospects for progress. END COMMENT.

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